



OFFICE OF
INSURANCE COMMISSIONER

In The Matter Of:

MOLINA HEALTHCARE OF
WASHINGTON, INC.,

A Registered Health Maintenance Organization,

No. D07-97

CONSENT ORDER
LEVYING A FINE

To: Molina Healthcare of Washington, Inc.
P.O. Box 1469
Bothell, Washington 98041-1469

Comes Now the Insurance Commissioner of the State of Washington, pursuant to the authority set forth in RCW 48.02.080, RCW 48.44.160, and RCW 48.46.135, and makes the following:

FINDINGS OF FACT:

1. Molina Healthcare of Washington, Inc. ("Molina") is a health maintenance organization ("HMO") registered to do business in the State of Washington.
2. The Office of the Insurance Commissioner ("OIC") conducted a market conduct examination of Molina covering the time period between January 1, 2004, and March 31, 2005.
3. The market conduct examination of Molina was adopted by the Insurance Commissioner by Order Adopting Report of Market Conduct Examination No. G06-46, entered July 14, 2006, which order is final.
4. The eight members of Molina's Board of Directors failed to include at least one third made up of consumers who are representative of the enrolled population. Molina has subsequently reduced the size of the Board to six members, including two consumer advocates.
5. In administering its allowable expenses under coordination of benefits, Molina failed to have its delegates track and account for amounts by which a secondary plan's benefits have been reduced.
6. Delegates that process claims on behalf of Molina failed to "pay and pursue," thereby unreasonably delaying payment of claims for provision of prenatal care and preventive



pediatric care services, contrary to the terms of Molina's agreement with the Department of Social and Health Services.

7. Molina issued 31 provider contracts on a form that had not been filed with the OIC. Molina also used provider agreements filed by its predecessor, QualMed Washington Health Plan, rather than in its own name. Substantive changes were made to the QualMed provider agreements without them having been filed with the OIC 15 days prior to use.

Based upon the foregoing Findings of Fact, the Commissioner makes the following:

CONCLUSIONS OF LAW

1. RCW 48.46.135 authorizes the Insurance Commissioner to impose a fine of no less than \$50 and not more than \$10,000 for each offense in lieu of or in addition to suspension or revocation of an HMO's registration for any violation of the Insurance Code.
2. Molina committed the following violations of Washington law:
 - a. Molina's failure to have at least one third of its Board of Directors include consumers who are representative of the enrolled population violated RCW 48.46.070;
 - b. Molina's failure to have its delegates track and account for allowable expenses in administering coordination of benefits violated WAC 284-51-050(7);
 - c. Molina's failure to have its delegates "pay and pursue," claims for prenatal care and preventive pediatric care services violated WAC 284-51-100; and
 - d. Molina's use of unfiled provider contracts violated RCW 48.46.243(3) and WAC 284-43-330 and WAC 284-43-331.

CONSENT TO ORDER

NOW, THEREFORE, Molina consents to the following in consideration of its desire to resolve this matter without further administrative or judicial proceedings, and the Insurance Commissioner consents to settle the matter in consideration of Molina's payment of a fine and such other terms and conditions as are set forth below:

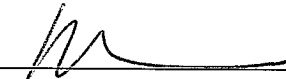
1. Molina consents to entry of the foregoing Findings of Fact and Conclusions of Law as they pertain to these facts, consents to the entry of this Order, and waives further administrative or judicial challenge to the OIC's actions related to the subject matter of this Order;

CONSENT ORDER

2. Within thirty days of the entry of this Order, Molina agrees to pay to the OIC a fine in the amount of \$30,000, \$15,000 of which is suspended pending no further violation of the statutes and regulations that are the subject of this Order;
3. Molina will carry out and fulfill the requirements of the Compliance Plan which is attached hereto for a period of eighteen months;
4. The OIC will not impose the balance of this fine nor take action against the certificate of registration of Molina should it commit isolated, de minimis violations of the statutes or regulations that are the subject of this Order during the suspense period, as determined by the OIC. Molina commits to rectifying such violations promptly once they are discovered;
5. Whether further violations of the statutes and regulations that are the subject of this Order, and whether they are isolated or de minimis, will be determined at the sole discretion of the OIC. Molina understands and agrees that any future failure to comply with the statutes and regulations that are the subject of this Order constitutes grounds for further penalties that may be imposed in direct response to that further violation, in addition to the imposition of the suspended portion of the fine; and
6. The suspended portion of this fine will be imposed at the sole discretion of the OIC according to the conditions set forth above, without any right to advance notice, hearing, or appeal and Failure to pay the fine set forth above shall constitute grounds for revocation of Molina's certificate of registration.

EXECUTED this 12th day of April, 2007.

MOLINA HEALTHCARE OF WASHINGTON, INC.

By: 

Typed Name: DALE C. AHLSTROM

Typed Corporate Title: PRESIDENT

ORDER OF THE INSURANCE COMMISSIONER

NOW, THEREFORE, pursuant to the foregoing Findings of Fact, Conclusions of Law, and Consent to Order, the Insurance Commissioner hereby orders as follows:

1. Molina Healthcare of Washington, Inc. is ordered to pay a fine in the amount of \$30,000, \$15,000 of which is suspended pending compliance with the statutes and regulations that are the subject of this Order for a period of eighteen months.

CONSENT ORDER

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2. Molina Healthcare of Washington, Inc. will abide by the terms and conditions of the Compliance Plan attached to and made a part hereof for a period of eighteen months.

3. Molina Healthcare of Washington, Inc.'s failure to pay the unsuspended portion of the fine within thirty days of the entry of this Order shall result in the revocation of Molina Healthcare of Washington, Inc.'s certificate of registration and in the recovery of the fine through a civil action brought on behalf of the Insurance Commissioner by the Attorney General of the State of Washington.

ENTERED AT TUMWATER, WASHINGTON, this 16 day of April, 2007.

MIKE KREIDLER,
Insurance Commissioner

By: 

Alan Michael Singer
Staff Attorney
Legal Affairs Division

COMPLIANCE PLAN

A. Purpose of and Consideration for the Plan

Molina Healthcare of Washington, Inc. (hereinafter "Molina") enters into this Compliance Plan with the Office of the Insurance Commissioner ("OIC") for the State of Washington to promote compliance by Molina with the requirements of the laws and regulations of the State of Washington. Molina is also entering into a Consent Order No. D07-97 with OIC ("Consent Order"). This Plan is attached to the Consent Order and is fully incorporated into said Consent Order, and Molina's obligations under this Compliance Plan are made a part of the Consent Order and constitute obligations under said Consent Order as though this Compliance Plan and the Companies' obligations under it were fully set forth in said Consent Order.

B. Term of Plan

The effective date of this Plan shall be the date of entry of the Consent Order, on which date this Plan shall become final and binding. Molina's obligations under this Compliance Plan shall continue from its effective date until termination of the period during which conditions are imposed by the Consent Order suspending imposition of any portion of the fine set forth in the Consent Order.

C. Compliance Plan

1. Internal Audit

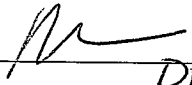
- a. Information to OIC: Molina will conduct three audits, the first during June of 2007, the second during December of 2007, and the third during June of 2008. Molina has established an semi-annual audit plan and schedule with regard to the violations included in the Consent Order and as set out in Dale Ahlskog's October 30, 2006 letter to Leslie Krier, which is attached to and incorporated within the terms of this Compliance Plan. Copies of each internal audit report on the three audits to be performed during the period of this Plan shall be provided to Christine Tribe of the OIC Legal Affairs Division within thirty days of the report being issued. Reports shall be issued no later than thirty days following the completion of each audit.
- b. Internal Audit Obligations: Molina shall provide its staff conducting the audit with the Consent Order and shall direct its audit personnel to include the areas of violation in the audits conducted pursuant to this Compliance Plan.

- c. Audit Scope: Each of the three audits shall each encompass at least fifty (50) files, or all files if there are less than fifty available, for each of the violations listed in the Consent Order. Each file audited must involve Washington enrollees or beneficiaries.
- d. Correction of Exceptions: Any exception or deficiency identified by the internal audits conducted pursuant to this Plan shall be corrected. Molina agrees to advise OIC within thirty (30) days of the audit report of any corrective measures contemplated to address any such exceptions or deficiencies or any other areas requiring correction. The OIC shall then review these measure(s) and notify Molina of any comments associated therewith within thirty (30) days. Unless the OIC requests modifications to the proposed corrective measure(s), Molina shall have thirty (30) days from the end of the OIC's review period to implement the measure(s). However, should Molina need longer than thirty (30) days to correct any exception or deficiency, it may contact the OIC Legal Affairs Division and request an extension to the thirty (30) day requirement.

D. Miscellaneous

1. Authority to Enter Plan: Molina gives express assurance that under applicable laws, regulations and where applicable, its Articles and By-Laws, it has the authority to comply fully with the terms and conditions of this Plan, and that it will provide written notification to the other parties within ten (10) days of any material change to this authority or of any violation of this Plan.

MOLINA HEALTHCARE OF WASHINGTON, INC.

BY: 
TITLE: PRESIDENT
DATE: 4/12/07



Molina Healthcare of Washington, Inc.
P.O. Box 1469
Bothell, WA 98041-1469
425•424•1100 800•869•7175

October 30, 2006

Leslie Krier, AIE, FLMI
Chief Market Conduct Examiner
Office of the Insurance Commissioner
810 Third Av, Suite 650
Seattle, WA 98104-1615

Re: Market Conduct Examination

Dear Ms. Krier:

The following is the Molina Healthcare of Washington, Inc. (Molina Healthcare) corrective action plan response to the findings, conclusions and order adopting report of the market conduct examination issued on July 20, 2006.

ORDER

- 1. Board of Directors – Company Operations and Management Standard #3**
The Company is ordered to ensure that one-third of its board of directors is made up of consumers representative of the enrolled population. Reference: RCW 48.46.070(1).

Molina Healthcare was not aware that they were out of compliance in regard to our consumer representation on the Board of Directors. The Board of Directors had three consumer representatives each of who were thought to meet the definition of a consumer advocate and thus, meeting the requirement that one-third of our Board Members be consumer advocates. We were notified, via the draft Market Conduct Report, that only two of our outside Board Members could be considered consumer advocates. To bring Molina Healthcare into compliance, the Board of Directors accepted the resignation of a non-consumer member and resized itself to six members at the May 18, 2006 meeting. As a result of the actions taken at that meeting, the Board is fully in compliance with six members, two of whom are consumer advocates.

2. COB Savings-Claims Standard #8.

The company is ordered to ensure that its claim processing delegates track COB savings as required. Reference: WAC 284-51-050(7).

This provision will be included in future claims processing audits. In addition, WVMC expects to correct this with a system upgrade by first quarter of 2007. All of the claims delegates will report COB savings beginning in January 2007.

3. Coordination of Benefits Communications Claims Standard #8

The Company is ordered to implement and communicate procedures to its delegated entities to ensure that claims subject to coordination of benefits are processed in the same manner. Reference: WAC 284-51-100.

Molina Healthcare has worked with the delegates to create corrective action plans regarding processing of claims subject to Coordination of Benefits. Molina Healthcare will include review of Coordination of Benefits procedures in future claims audits. Standard procedures have been communicated to each of the delegates.

4. Provider Contracts – Provider Activity Standard #2 and Provider Activity Standard #4

The company is ordered to discontinue use of provider contract forms that have not been approved by OIC, to file for approval with the OIC all provider contract forms, and to re-contract all providers using the new form(s) when approved for use by the OIC. Reference: RCW 48.46.243(3), WAC 284-43-330.

The OIC has approved new provider templates filed by Molina Healthcare. Molina Healthcare has begun using filed and approved templates for all new contracts going forward, beginning April 17, 2006.

5. Distribution plan for Provider contracts – Provider Activity Standard #4

The company is ordered to inform the OIC of its plan for distribution of filed and approved provider contracts to its provider network within 90 days of adoption of the examination report. Reference: WAC 284-43-331.

Molina Healthcare has a formal plan to move existing contracts to the new templates in a systematic rollout over a 12 month period, beginning when the contract templates were approved. The rollout is in progress.

6. Claims Review

Due to the Company's inability to retrieve consistent data with identical parameters and its inability to adequately explain discrepancies in its claims database, it is ordered that the Company consider implementing system and audit controls to ensure the integrity of the information maintained in its database.

A more accurate claims payment report has been developed. Molina Healthcare will design and implement further audit controls to ensure the integrity of the information.

7. Delegated Claims – Claims Standard #5

It is ordered that the Company consider implementing procedures and reporting requirements to ensure that all delegated entities are adhering to prompt pay standards Reference: WAC 284-43-321(2).

A more robust claims audit process for our delegates is being considered. In addition, claims reports are received and reviewed on a monthly basis.

8. Delegated Claims Audits – Claims Standards #5 and #8

It is ordered that the Company consider actually testing the records of its delegates rather than relying on self-audits performed by the delegates. Reference: WAC 284-43-321(2).

A more robust claims audit process for our delegates is being considered.

As a result of these findings, we have included in our Compliance Audit Plan for 2007 audits of provider contracts and claims.

We thank you and your team for the market conduct examination and the opportunity to provide you with a corrective action plan. We look forward to hearing from you. Please contact us with any questions you have.

Sincerely,



Dale C. Ahlskog
President